



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0014	Title:	Creating broadband development fund through bonding
Primary Sponsor:	McCarthy, Kelly	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$758,740	\$1,329,740	\$1,143,000	\$1,143,000
Capital Projects	\$7,500,000	\$7,500,000	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Capital Projects	\$15,000,000	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$758,740)</u>	<u>(\$1,329,740)</u>	<u>(\$1,143,000)</u>	<u>(\$1,143,000)</u>

Description of fiscal impact: This bill authorizes the creation of state debt through the issuance of general obligation bonds to create the Broadband Development Fund and transfers \$15 million in bond proceeds to the Department of Commerce to fund grants for broadband infrastructure projects.

FISCAL ANALYSIS

Assumptions:

Department of Commerce

- Section 1 of the bill creates the Broadband Development Fund, whose purpose is to stimulate economic development through the deployment of improved broadband infrastructure throughout the state. For the purposes of this fiscal note, it assumed the Broadband Development Fund is a capital projects fund which would receive \$15 million in bond proceeds.
- Section 2 of the bill contains the definitions that apply to the bill; Sections 3 and 4 of the bill establish the priorities for projects and the procedures and conditions the department must follow when awarding and disbursing broadband infrastructure grants.
- Section 5 of the bill appropriates \$15 million for the 2017 biennium from the capital projects account for the purpose of establishing the Broadband Development Fund. This appropriation is reappropriated biennially until the awarded broadband infrastructure projects are completed. For the purposes of this fiscal note, it is assumed this appropriation from the capital project account in Section 5 is synonymous with the Broadband

Development Fund. It is further assumed that all of the available funding will be granted out in the 2017 biennium

4. The department would require 2.00 FTE to administer the program proposed in the bill at an estimated personal services cost of \$145,891 in FY 2016 and FY 2017. Associated operating costs are estimated at \$40,849 in FY 2016 and FY 2017. For the purposes of this fiscal note, it is further assumed that these administrative costs would be funded from the general fund. These funds were included in the Executive Budget in Change Package NP 600604. As of February 16, 2015, this change package has not been approved by the appropriations subcommittee.
5. General Obligation (GO) bonds will be issued for a 20 year term assuming a 4.4% average interest rate, including the cost of issuance.
6. Bonds will be issued in FY 2016.
7. GO debt service will be paid from the general fund. Debt service payments, including principal plus interest, will be \$0.572 million in FY 2016 and \$1.143 million in FY 2017 and beyond.

Secretary of State's Office

8. This bill will have minimal cost for postage and administrative duties. The office does not receive general fund monies for office operations, but has agreed to assume the fiscal responsibility for this bill.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
FTE	2.00	2.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$145,891	\$145,891	\$0	\$0
Operating Expenses	\$40,849	\$40,849	\$0	\$0
Grants	\$7,500,000	\$7,500,000	\$0	\$0
Debt Service	\$572,000	\$1,143,000	\$1,143,000	\$1,143,000
TOTAL Expenditures	\$8,258,740	\$8,829,740	\$1,143,000	\$1,143,000
<u>Funding of Expenditures:</u>				
General Fund (01)	\$758,740	\$1,329,740	\$1,143,000	\$1,143,000
Capital Projects (05)	\$7,500,000	\$7,500,000	\$0	\$0
TOTAL Funding of Exp.	\$8,258,740	\$8,829,740	\$1,143,000	\$1,143,000
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Capital Projects (05)	\$15,000,000	\$0	\$0	\$0
TOTAL Revenues	\$15,000,000	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$758,740)	(\$1,329,740)	(\$1,143,000)	(\$1,143,000)
Capital Projects (05)	\$7,500,000	(\$7,500,000)	\$0	\$0

Technical Notes:

1. Section 1 of the bill creates the Broadband Development Fund but does not identify a fund type. There is not an appropriation from the Broadband Development Fund in the bill.
2. Section 5 of the bill appropriates the bond proceeds from the capital projects account provided for in 17-5-804, MCA. The section further reappropriates funds in future biennia until completion of the grants.
3. To clarify the funding and appropriations in the bill, the Broadband Development Fund should be defined as a fund in the capital projects fund type as defined in 17-2-102, MCA. Then the appropriation in section 5 of the bill could be made from the Broadband Development Fund rather than from the capital projects account.

Sponsor's Initials

Date

Budget Director's Initials

Date